Exhibit B.1
Subsequent Acquisition (Acquisition Price Method).
Calculating a Lump-sum Buy-in Payment.
(units = thousands of US dollars)

The target was acquired by U.S. parent on account of technology it had developed. The target also had certain miscellaneous intangible assets but these are not used by by the CFC (so the value of these assets must be subtracted from the buy-in payment). Therefore, the acquisition price plus any liabilities of the target less the target's tangible assets and miscellaneous intangible assets constitutes the arm's length price for the technology.

Add the liabilities to the acquisition price and subtract the value of tangible assets.

Acquisition price	78,800
plus liabilities of target asumed	6,800
minus target's tangible assets	-6,200
minus intangible assets other than buy-in intangib	-5,000
equals worldwide value of the technology	74,400

Compute lump sum Buy-in.

Worldwide value of the technology	74,400
times CFC's RAB share	55%
equals Buy-in Payment	**40,920**

Assumptions:
(1) The valuation of the assets at the time of the acquisition is reliable.
(2) Exclusive rights to all of the target's technology are made available to the CSA.
(3) RAB share of CFC/buy-in payor is 55%.

Exhibit B.2
Subsequent Acquisition (Acquisition Price Method).
Converting a Lump-sum Buy-in Payment (from Exhibit B.1) into a Perpetual Royalty.
(units = thousands of US dollars)

Half-year convention is used for present value calculations. Lump sum buy-in payment is from Exhibit B.1.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Present Value of Years 1 - 10 (A)	Present Value of Terminal Value (B)	**TOTAL (A+B=C)**
Sales from current and future generations of product	135,000	155,000	165,000	175,000	185,000	194,250	203,963	214,161	224,869	236,112	989,421	485,728	1,475,149

Determine royalty rate required in perpetuity as % of gross sales

Item	Amount	Explanation
lump sum buy-in payment	40,920	(From Exhibit B.1)
divided by PV of CFC's total sales	811,332	Total Sales *55% RAB share
equals perpetual royalty rate	**5.04%**	

Assumptions:
(1) Assumptions of Exhibit B.1 are incorporated.
(2) Risk-adjusted discount rate is 14%.
(3) Projections are taken as given (source not specified).
(4) Revenues and routine costs are distributed between U.S. parent and CFC pro rata to RAB share.

Terminal value calculation
Terminal value calculated using Gordon Constant Growth Model, which treats value in Year 10 of payments from Year 11 onward as equal to (payment in Year 11)/(Discount Rate -Growth Rate).
In this Exhibit, after Year 10, current dollar sales and all costs are assumed to grow at 0% rate.

	Revenues
Year 11 amounts, current dollars	236,112
PV of terminal value in middle of Year 10	1,686,515
PV of terminal value at start of Year 1	485,728

Exhibit B.3
Subsequent Acquisition (Acquisition Price Method).
Converting a Lump-sum Buy-in Payment (from Exhibit B.1) into a Royalty payable over 10 years.
(units = thousands of US dollars)

Half-year convention is used for present value calculations. Lump sum buy-in payment is from Exhibit B.1.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Present Value of Years 1 -10 (A)
Sales from current and future generations of product	135,000	155,000	165,000	175,000	185,000	194,250	203,963	214,161	224,869	236,112	989,421

Determine royalty rate required over 10 years as % of gross sales

Item	Amount	Explanation
lump sum buy-in payment	40.920	(From Exhibit B.1)
divided by PV of CFC's total sales	544181.8	Total Sales *55% RAB share
equals royalty rate payable over 10 yeares	**7.52%**	

Assumptions:
(1) Assumptions of Exhibit B.1 are incorporated.
(2) Risk-adjusted discount rate is 14%.
(3) Projections are taken as given (source not specified).
(4) Revenues and routine costs are distributed between U.S. parent and CFC pro rata to RAB share.

Exhibit B.4
Subsequent Acquisition (Acquisition Price Method).
Ranges of Results (calculating royalty payable over 10 years)
(units = thousands of US dollars)

Half-year convention is used for present value calculations.

Add the liabilities to the acquisition price and subtract the value of tangible assets.

	Valuation of Tangible Assets	
	High	Low
Acquisition price	78,800	78,800
plus liabilities of target asumed	6,800	6,800
minus target's tangible assets	15,000	10,000
minus intangible assets other than buy-in intangibl	5,000	5,000
equals worldwide value of the technology	65,600	70,600

Ranges

Lump Sum Buy-in Payment	**36,080 to 38,830**
Royalty Payable over 10 years	**6.13% to 7.14%**

Compute lump sum Buy-in.

Worldwide value of the technology	65,600	70,600
times CFC's RAB share	55%	55%
equals Buy-in Payment	36,080	38,830

Determine royalty rate required over 10 years as % of gross sales

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Present Value of Year 1 thru Year 10 at 12% Discount	Present Value of Year 1 thru Year 10 at 14% Discount Rate
Sales from current and future generations of product	135,000	155,000	165,000	175,000	185,000	194,250	203,963	214,161	224,869	236,112	1,071,018	989,421

Exhibit B.4 (cont'd)

Item	12% Discount Rate. High Valuation of Tangible Assets.	14% Discount Rate. Low Valuation of Tangible Assets.
lump sum buy-in payment	36,080	38,830
divided by PV of CFC's total sales	589,060	544,182
equals royalty rate payable over 10 yeares	**6.13%**	**7.14%**

Assumptions:

(1) Assumptions of Exhibit B.1 are incorporated except as explicitly noted.
(2) Value of target's tangible assets are assumed to be in range of $10,000 to $15,000.
(3) Appropriate discount rate is assumed to be in the range of 12 to 14%.
(4) Projections for first 10 years are taken from Exhibit B.3.
(5) Revenues are distributed between U.S. parent and CFC pro rata to RAB share.

Note: other combinations of assumptions (12% discount rate and low valuation of tangible assets or 14% discount rate and high valuation of tangible assets) produce 10-year royalty rates that fall within the arm's length range reported above. Therefore, calculations of the 10-year royalty rates under these assumptions are not reproduced in this exhibit.

Exhibit B.5
Subsequent Acquisition (Acquisition Price Method).
Offsetting Lump-sum Buy-in Payment by Portion of Outside Acquisition Basis.
(units = thousands of US dollars)

Add the liabilities to the acquisition price and subtract the value of tangible assets.

Acquisition price	50,000
plus liabilities of target asumed	25,000
minus target's tangible assets	52,000
minus intangible assets other than buy-in intangible	10,000
equals worldwide value of the technology	13,000

Compute lump sum Buy-in.

Worldwide value of the technology	13,000
times CFC's RAB share	25%
equals Buy-in Payment	**3,250**

Offsetting Lump-sum Buy-in Payment by Portion of Outside Acquisition Basis.

Company includes $3,250 received in form of lump sum payment from payor in Year 1. Commissioner may permit Company to offset this inclusion by recognizing amortization of $3,250 basis of buy-in intangible in Year 1. This amount is considered a pro rata reduction in basis of the buy-in intangible. The remaining amortizable amount of the buy-in intangible is amortized pursuant to applicable sections of the Code and Regulations.

Assumptions:
(1) Company acquires all assets of Target for cash payment.
(2) Among assets acquired from Target is an intangible asset that constitutes a buy-in intangible.
(3) Buy-in intangible is amortizable over 15 years pursuant to Code section 197.
(4) RAB share of buy-in payor is 25%.